(d) what steps does the RBI advise to reduce the burden of salaries, etc. to ensure better profitability for UCBs in Andhra Pradesh; and

(e) the full details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Reserve Bank of India (RBI) has not issued a warning signal to Urban Cooperative Banks (UCBs) in Andhra Pradesh. However, certain supervisory actions are initiated by RBI both at the regional office and central office level in respect of the UCBs, which exhibit signals of financial weaknesses etc. The Hyderabad office of RBI has initiated such actions in respect of certain UCBs under its jurisdiction. The following are some of the areas where certain shortcomings/deficiencies have been observed in the functioning of some of the UCBs in Andhra Pradesh:

(i) Low level of capital or negative capital.

(ii) High Credit-Deposit ratio.

(iii) Poor asset quality.

(iv) Problems in credit management, internal systems and control etc.

(c) Administration and management of UCBs fall under jurisdiction of the Registrar of Cooperative societies of Andhra Pradesh who has stipulated that establishment cost of banks should not exceed 2% of working capital. However, over staffing was observed in a few UCBs in Andhra Pradesh.

(d) and (e) Management of UCBs including recruitment of staff and the salaries fall under the jurisdiction of the concerned Governments. However, RBI has issued guidelines on the best practices to be adopted by UCBs about cost curtailment and effective use of manpower.

Loopholes in NPA Recoveries

1990. SHRI MURLI DEORA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have studied the progress made by banks in expediting the recovery of non-performing assets after passing the Securitisation Act;

(b) if so, the details thereof and success achieved in this regard;

(c) the loopholes detected in the existing legislation and the Debt Recovery Tribunal and efforts made to remove them; and

(d) whether Government propose to amend the above laws and if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. After the passage of the "The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002" in December, 2002 and upto 30th September, 2004 the Public Sector Banks have issued 70254 notices involving Rs. 21988.74 crore and recovered Rs. 2237.95 crore fron 29301 cases.

(c) The Supreme Court,in its Judgement dated 8th April, 2004 in the matter of Mardia Chemicals Ltd., and other Vs Union of India and others held that after the service of notice, if the borrower raises any objection or places facts for consideration of the creditor, the same may be considered with due application of mind and the reasons for not accepting the objection must be communicated to the borrower. However, the borrower will be able to move the Debt Recovery Tribunal only after the secured creditor has taken possession of the secured assets.

(d) Yes, Sir. Government propose to amend the above act. In this regard an Enforcement of Security Interest and Recovery of Debt Laws (Amendment) Ordinance, 2004 (Ordinance 5 of 2004) has already been promulgated on 11th November, 2004.

Rural Poverty

1991. SHRIMATI JAYA BACHCHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that he made a statement at Chennai while releasing the book-India Untouched: The Forgotten Face of Rural Povery, on 8th September, 2004;